S. HRG. 98-143

GUAM AUTHORIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

OF THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 589

A BILL TO AMEND SECTION 1(a)(1) OF PUBLIC LAW 95-348 (92 STAT. 487) TO AUTHORIZE THE APPROPRIATION OF $4,038,000 FOR CAPITAL IMPROVEMENT PROJECTS ON GUAM FOR FISCAL YEAR 1984

MARCH 8, 1983

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Committee on Energy and Natural Resources

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GUAM AUTHORIZATION

TUESDAY, MARCH 8, 1983

U.S. SENATE,
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:22 a.m., in room SD-366, Dirsken Office Building, Hon. Lowell P. Weicker, Jr., presiding.

Present: Senator Weicker.

Also present: James P. Beirne, counsel and D. Michael Harvey, chief counsel for the minority.

OPENING STATEMENT OF HON. LOWELL P. WEICKER, JR., A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator WEICKER. The hearing will come to order.

This hearing has been scheduled to receive testimony on S. 589, legislation requested by the administration to authorize $4 million for construction in Guam along Tumon Bay in fiscal year 1984.

I understand that both the administration and the Government of Guam estimate that the total cost of the Tumon Bay project will be about $11 million. I also understand that the Government of Guam plans to request about $4.1 million for the penitentiary in Guam which would require an authorization.

I appreciate the fact that the Department and the witnesses submitted copies of their testimony yesterday so that they could be reviewed. We have received justifications from the Governor of Guam for both the Tumon Bay project indicating a total project cost of $11.3 million with an estimate of $6 million in fiscal year 1984 expenditures and for the $4.1 million for the penitentiary.

In an effort to expedite this hearing I will ask each witness to submit his formal statement for the hearing record and briefly summarize so we can ask questions.

Copies of S. 589 and the letter of transmittal will be placed in the record at this point.

[The text of S. 589 and letter of transmittal follows:]

II

98TH CONGRESS
1ST SESSION

S. 589

To amend section 1(a)(1) of Public Law 95–348 (92 Stat. 487) to authorize the appropriation of $4,038,000 for capital improvement projects on Guam for fiscal year 1984.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, FEBRUARY 23), 1983

Mr. MCCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend section 1(a)(1) of Public Law 95–348 (92 Stat. 487) to authorize the appropriation of $4,038,000 for capital improvement projects on Guam for fiscal year 1984.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1(a)(1) of Public Law 95–348 (92 Stat. 487) as amended by Public Law 97–357 (96 Stat. 1705) is amended by deleting the word "and" where it last appears, and inserting after the words "fiscal year 1983," the words "and $4,038,000 for fiscal year 1984,".

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

FEB - 1 1983

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

There is enclosed a draft bill "To amend Section 1(a)(1) of Public Law 95-348 (92 Stat. 487) to authorize the appropriation of $4,038,000 for capital improvement projects on Guam for fiscal year 1984."

We recommend that the bill be referred to the appropriate committee for consideration, and that it be enacted.

The proposed bill would authorize funds for fiscal year 1984 for needed capital improvement projects on Guam in the amount contained in the President's 1984 budget. The current authorization will expire at the end of fiscal year 1983. The authorization would be for water and sewer construction at Tumon Bay.

The Office of Management and Budget has advised that enactment of this proposal would be in accord with the program of the President.

Sincerely,

James G. Watt
SECRETARY

Enclosure

A B I L L

To amend section 1(a)(1) of Public Law 95-348 (92 Stat. 487) to authorize the appropriation of $4,038,000 for capital improvement projects on Guam for fiscal year 1984.

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Senator WEICKER. Our first witness is Hon. Antonio B. Won Pat, the Delegate from Guam and chairman of the Subcommittee on Insular Affairs who is accompanied by Hon. Ricardo Bordallo, the Governor of Guam.

Welcome.

Mr. WON PAT. Greetings, Senator.

Senator WEICKER. You may proceed, Mr. Chairman, in any way you want. Since you sit on both sides of these situations you know how to arrange it to get the maximum effectiveness, and I will leave it all in your hands. I will just listen.

STATEMENT OF HON. ANTONIO B. WON PAT, DELEGATE FROM GUAM

Mr. WON PAT. Thank you, Mr. Chairman. Let me say first it is an honor and a pleasure to appear before you this morning. I recognize, of course, the pressure of time particularly on your part. You have to attend other hearings and meetings, so our statement will be very brief.

As a matter of fact, you have a very good idea already as to what we will be testifying for. As you know, last week I held hearings in the subcommittee where we heard all the officials of the territory, and it is my pleasure and honor to have our Governor Bordallo sitting to the right of me, and with him, of course, he is accompanied by our charming Director of the Bureau of the Budget and Management of the Government of Guam to support the Governor in case you pose some questions which necessitate her assistance.

Senator WEICKER. We all need our staff to help us.

Mr. WON PAT. I recognize that. Yes. Your staff has been very helpful and very understanding, and you in particular, I know I have met you before for many years and you always have been very understanding and sympathetic to the problems of the territories, so today I merely want to reveal and tell you that these authorizations we will be asking you for will have approval in our subcommittee and subsequently the full committee of the House In-

terior and Insular Affairs, so I urge your kind consideration to give these matters your favorable consideration.

The island is in need for the additional funds authorization for a penitentiary, and of course, for the sewage system in the Tumon Bay area. That is very essential to meet increasing demands of our tourist industry because we are now building a new hotel. There are two or three hotels now in the process of being built, but they could not proceed unless we have the necessary infrastructure.

For that reason, the Governor will be very happy for us to give specific justification or detailed justification in case you need it.

I think that will be all, Senator, and I do hope that if there are any questions attached to areas where you feel you are not fully informed, that we will be very happy to respond, and I will now ask the Governor to make his statement.

Senator WEICKER. Thank you very much.

[The prepared statement of Mr. Won Pat follows:]

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STATEMENT OF THE HONORABLE ANTONIO B. WON PAT, M.C.
BEFORE THE
SENATE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
March 8, 1983

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

LET ME BEGIN BY EXPRESSING HEARTFELT THANKS TO EACH OF YOU INDIVIDUALLY FOR YOUR SENSITIVITY TO AND SUPPORT OF THE NEEDS OF THE TERRITORIES OF THE UNITED STATES.

I APPEAR TODAY BOTH AS DELEGATE FROM GUAM AND CHAIRMAN OF THE HOUSE SUBCOMMITTEE ON INSULAR AFFAIRS. THE POINTS I WISH TO MAKE BRIEFLY REFLECT POSITIONS ON THE FISCAL YEAR 1984 BUDGET OFFICIALLY ADOPTED BY THE FULL COMMITTEE ON INTERIOR AND INSULAR AFFAIRS LAST WEEK.

FIRST, THE $4 MILLION AUTHORIZATION PROPOSED BY THE ADMINISTRATION FOR THE TUMON BAY PROJECT IS INADEQUATE. THE IMPROVEMENTS WOULD REQUIRE AT LEAST $11 MILLION OVER THE TWO-YEAR CONSTRUCTION PERIOD. THE FULL AMOUNT REQUIRED FOR FISCAL YEAR 1984 SHOULD BE PROVIDED.

SECOND, ADDITIONAL AUTHORIZATION IS NEEDED FOR GUAM TO COMPLETE ITS PENITENTIARY. $6.5 MILLION WAS APPROPRIATED IN FISCAL YEAR 1980. BUT INFLATION DURING CONSTRUCTION DELAYS AND NECESSARY DESIGN CHANGES HAVE ESCALATED THE COST BY $4.1 MILLION.

THIRD, GUAM'S FISCAL PREDICAMENT, SERIOUSLY WORSENED BY THE POLICIES OF THE NATIONAL ADMINISTRATION, PREVENTS LOCAL FUNDING OF THESE PROJECTS WHICH MUST BE UNDERTAKEN. FEDERAL ASSISTANCE IS IN THE NATIONAL AS WELL AS TERRITORIAL INTEREST.

FOURTH, $1 MILLION IN ADDITIONAL AUTHORIZATION IS NEEDED IN FISCAL YEAR 1984 SO THAT THE FIRST PHASE OF A COMPREHENSIVE, FOUR-YEAR $40 MILLION PROGRAM OF UNDENIABLY ESSENTIAL POWER AND WATER SYSTEM IMPROVEMENTS IN THE VIRGIN ISLANDS CAN BE FUNDED.

BECAUSE OF THE NATURE OF THIS HEARING, I HAVE LIMITED MY REMARKS TO THOSE FISCAL YEAR 1984 BUDGET ISSUES WHICH STILL REQUIRE AUTHORIZATIONS. I DO HOPE, THOUGH HOWEVER, TO OBTAIN YOUR SUPPORT IN THE FUTURE FOR THE FULL RANGE OF OUR COMMITTEE'S BUDGET RECOMMENDATIONS.

THEY FORM AN ALTERNATIVE TO THE PRESIDENT'S CALL FOR A 22 PERCENT CUT IN DISCRETIONARY ASSISTANCE TO THE U.S. TERRITORIES, IN CONTRAST TO HIS PROPOSAL FOR A FREEZE ON DOMESTIC SPENDING. OUR ALTERNATIVE, RECOGNIZES THE CONSTRAINTS IMPOSED BY THE FEDERAL BUDGETARY SITUATION, BUT STILL MANGES TO PROPOSE SPENDING TO MEET THE MOST CRITICAL TERRITORIAL NEEDS.

I NOW HAVE THE HONOR TO INTRODUCE THE VERY ABLE GOVERNOR OF MY OWN TERRITORY, RICARDO J. BORDALLO, WHO WILL DETAIL GUAM'S SPECIFIC FISCAL YEAR 1984 AUTHORIZATION NEEDS.

STATEMENT OF HON. RICARDO J. BORDALLO, GOVERNOR OF GUAM, ACCOMPANIED BY HERMINIA DIERKING, BUDGET DIRECTOR

Governor BORDALLO. I have submitted a prepared statement already which gives a very comprehensive justification for the request that Guam is making, and I won't belabor you with the reading of this, knowing like you said we all rely on our staff to give us advice.

Senator WEICKER. Tell me, though, one thing I would like to hear in synopsizing is your broad justification for the sewer and water construction project. Where is Tumon Bay?

Governor BORDALLO. This is the Waikiki of Guam, and it requires the infrastructure investment to get the hotels to be built. There is one hotel now going up with only 100 rooms, although the plans and specifications call for 450 rooms, but cannot go beyond the 100 because the building permits won't allow them to go beyond that because the sewer and water capacity is now saturated. Until we get additional facilities in there is the only time we can see the materialization of a 100-room addition to the Hilton, a 100-room addition to the Okuro Hotel, and 450 rooms from Naru, the Republic of Naru.

These are already well committed projects, but are now hanging because of the inadequate sewer and water facilities.

Senator WEICKER. With reference to the sewer construction, is this the distribution system? Is the treatment plant already in place?

Governor BORDALLO. No. This will be just the lateral facility down on the site. Fortunately, in my first administration we have put the whole backbone sewer system for both the northern and central part of Guam which can take care of us for the foreseeable future.

Senator WEICKER. The treatment plant is already built?

Governor BORDALLO. Yes. We have the outfall. We put in about a $40-million investment in general mainline facilities, and outflow and treatment facilities about up to 4 years ago as I concluded my first term.

Senator WEICKER. So really this money is for the distribution? When I say "distribution," the pipes, et cetera?

Governor BORDALLO. Yes, and pumps.

Senator WEICKER. Where is the treatment facility located?

Governor BORDALLO. This will be going down to the Agabba area.

Senator WEICKER. If the authorization appropriation comes to pass as you have requested, this will then fulfill the needs of the proposed hotels?

Governor BORDALLO. Yes.

Senator WEICKER. In that area?

Governor BORDALLO. That's right, and of course, this will quickly open the employment which is desperately needed on Guam. We have 20-percent unemployment on the island.

Senator WEICKER. How many additional rooms will this give you, this particular project?

Governor BORDALLO. Roughly a minimum of 1,000.

Senator WEICKER. 1,000 rooms?

Governor BORDALLO. Class A rooms.

Senator WEICKER. All right. Let me just move to point No. 2, the penitentiary project. If there is anything more that you want to say on the sewer, I want to make it clear that we are not rushed nor do I in any way want to exclude remarks that you want to make or matters that you think are pertinent.

Governor BORDALLO. You know, in private conversation with staff, it may come out and then I am not there to argue the point, someone might say well, this is going to commercial area and why shouldn't the hotels be assessed this capital cost? Why should it be government?

Well, that argument, to me it would be very, very detrimental because it is a chicken and egg type situation. It has been historically the only means for Guam to attract industries because, you know, there are plenty of other places where people can put their moneys and get maybe even a safer return—Hong Kong, right here in the Mainland United States—so it is these, some kind of incentives that at least makes it a little attractive for projects of that scope, the scope of investment, and job-creating type enterprises that has been possible to come to Guam because of the fact that we have so far been, the Government has been putting in the capital investment on the infrastructure. They take care of their own site costs, but at least once it goes out to the right-of-ways, that is Government, but then we do have a service charge, a sewer service charge, but to tap them in the beginning, if that should come up from other sources, I hope you will see that Guam can't afford to discourage these investors.

Senator WEICKER. Is this considered an area where the hotels would be occupied by tourists and by persons visiting Guam, the military personnel there, et cetera?

Governor BORDALLO. Principally tourists.

Senator WEICKER. When you say this is like Waikiki, are there beaches, et cetera, in this area?

Governor BORDALLO. That's right. This is strictly the resort area of Guam; TLA, facilities for military transits are accommodated also in this area but it is not intended to be that. It is primarily when there is tight availability and what is normally there, facilities on the cliff side above the bay, might be filled up, then sometimes you go down there because it costs more money, but the area along the drive up on the cliff side has no sewer capacity problem. It is this resort area is where the sewer capacity problem is.

Senator WEICKER. Go right ahead with your statement and advise us about the penitentiary.

Governor BORDALLO. The penitentiary, it is just a simple underestimation of cost, and to see through the completion of this facility, if we don't make the adjustment, we will in fact be completing a facility smaller than what is there now, and the primary reason for this new capital investment is to expand the facility because of the crowded conditions. The court many times has released prisoners because of the substandard and crowded conditions of our penitentiary.

Senator WEICKER. Can you tell the subcommittee why a penitentiary construction contract for $8.2 million was awarded when you only had $6.5 million in budget authority?

Governor BORDALLO. Well, that is something I can't defend because you know it happened before. I have only been in office roughly 70 days, but over and above that, Mr. Chairman, during the transition I requested the Inspector General under the Interior which, of course, is independent, it comes to you, the Congress, and no one can tamper with its report, to take a full audit of the account of the Government of Guam.

Of course, this is just one of those areas that appears rather irregular, quite irregular, but we are generally informed of some other series of financial irregularities and problems, but I am very, very much on top with the Inspector General's Office to come in there and make a full investigation.

Senator WEICKER. Well, when could we expect to hear from the Inspector General in response to your request?

Governor BORDALLO. I believe in about 2 to 3 weeks.

Senator WEICKER. I would appreciate it very much as soon as you get that response if you would forward it also to this committee.

Let me say this to you, that under those circumstances you describe, obviously it doesn't do any good to in any way criticize you for a practice that is unacceptable to this committee but which occurred when you were not in office. I just think that we must all understand the ground rules around here because you are going to get cooperation from me certainly. By the same token, I think that we all understand normal constitutional procedures, and whenever those get thrown aside, whether by Guam or whether by the President of the United States, as far as I'm concerned, it doesn't fly.

Governor BORDALLO. I understand, Mr. Chairman, because I am a former seven-term Senator.

Senator WEICKER. All right. Now one question that staff has given me on the Tumon Bay proposal. Do you believe that the estimated $11.3 million needed for completion of the Tumon Bay project will be reduced if the project were completed under a single multiyear contract?

Governor BORDALLO. That would be welcome, Mr. Chairman, because first of all, consolidating it into one package project reduces the cost, and we definitely can implement and encumber it within the fiscal period. It is a high-priority project.

Senator WEICKER. Is the Secretary for Interior Affairs, Mr. Montoya, in the room? I am going to have Mr. Montoya testify next. I realize that the Congressman has other duties. He is certainly welcome to stay, but I would hope that you would stay in case there are any matters which are raised by Interior. Let's all stay in the room here. If anybody has any questions we can all get them answered while we are here.

It is not an easy thing for you to be here and I just want to make sure that we get the maximum mileage out of this hearing, so I will excuse the witnesses now, and we recommend you stay in case matters are raised to which we might have questions.

Mr. WON PAT. Mr. Chairman, we will be very happy to remain. We will go back and let the witness appear now, and we will be staying here.

Senator WEICKER. Fine. Thank you.

[The prepared statement of Governor Bordallo follows:]

STATEMENT OF

HONORABLE RICARDO J. BORDALLO

GOVERNOR OF GUAM

Mr. Chairman, thank you for the opportunity to appear before the committee today and testify on behalf of my government and all the people of Guam relative to the Department of the Interior's proposed territorial budget for 1984.

As Senators, you are painfully aware, I'm sure, of the current fiscal crisis facing virtually every state and territory of the union.

Guam has not escaped this trend of ballooning expenditures and diminishing revenues.

Our general fund deficit was estimated at $109 million after closing the books on December 31, 1982. At the rate of expenditure established prior to my assuming office on January 3, 1983, we project an actual cash shortfall of $17 million by the end of this fiscal year.

So far, we have not reached the point of having to issue IOUs to creditors, as was threatened in California.

And we have not supported a legislative proposal to authorize the government to borrow up to $40 million to fund current operations. Although a loan might give short-term relief to our

CASH SHORTAGE, IT WOULD OBVIOUSLY ONLY PROLONG THE CURRENT PROBLEM.

WE ARE THIS WEEK PRESENTING TO THE SECRETARY OF THE INTERIOR A REALISTIC DEFICIT ELIMINATION PLAN. WE ARE CONFIDENT THE SECRETARY WILL BE ABLE TO USE THE PLAN AS A BASIS FOR APPROVAL OF THE APPROPRIATION OF FUNDS AUTHORIZED BY PUBLIC LAW 96-597 FOR THE ELIMINATION OF THE GENERAL FUND DEFICIT BY THE BEGINNING OF FISCAL YEAR 1987.

MY ADMINISTRATION AND THE 17TH GUAM LEGISLATURE ARE FIRMLY COMMITTED TO AN AGGRESSIVE GOVERNMENT AUSTERITY PROGRAM THAT WILL AVOID A CASH SHORTAGE FROM OCCURING THIS YEAR.

ALREADY, THE GUAM TELEPHONE AUTHORITY HAS EXECUTED A REDUCTION IN FORCE THAT WILL FINALLY BRING THE UTILITY INTO COMPLIANCE WITH ITS LOAN AGREEMENT WITH THE RURAL ELECTRIFICATION ADMINISTRATION.

THE GUAM POWER AUTHORITY HAS PASSED A 24 PERCENT RATE INCREASE THAT, IF APPROVED BY ME, WILL MAKE GUAM'S POWER RATES AMONG THE HIGHEST IN THE NATION.

WE HAVE ELIMINATED A DIVISION OF OUR COMMERCE DEPARTMENT THAT EMPLOYED FOURTEEN PEOPLE, BUT WHICH WAS AN INTOLERABLE CASH DRAIN TO THE GOVERNMENT, WITHOUT ANY RETURN.

MY STAFF IS, AT THIS MOMENT, PUTTING THE FINAL TOUCHES ON AN AUSTERITY PACKAGE THAT WILL FORCE A GOVERNMENT-WIDE REDUCTION IN EXPENDITURES AND ALMOST CERTAINLY MEAN A CUT IN PAYROLL.

PAINFUL AS SUCH ACTIONS ARE FOR ANY ELECTED OFFICIAL, WE ARE WILLING TO SUFFER THE POLITICAL REPERCUSSIONS OF WHATEVER ACTIONS ARE NECESSARY TO RESTORE FISCAL INTEGRITY TO THE GOVERNMENT OF GUAM'S ACCOUNTS.

WE ARE FIRMLY CONVINCED THAT OUR EFFORTS WILL RESTORE THE INVESTOR CONFIDENCE NECESSARY TO BUILD A DYNAMIC PRIVATE SECTOR FOR THE TERRITORY THAT WILL ENABLE US TO WEAN OUR ECONOMY FROM ITS DEPENDENCE ON GOVERNMENTAL SUPPORT.

ALTHOUGH WE WILL BE ASKING THIS COMMITTEE AND THE CONGRESS TO HONOR ITS PRIOR COMMITMENTS OF FINANCIAL SUPPORT TO THE TERRITORY, WE WOULD LIKE TO DIRECT THE EMPHASIS AWAY FROM CONTINUED FEDERAL HANDOUTS.

RATHER, WE ASK FOR THE STATUTORY TOOLS TO DEVELOP AN APPROPRIATE ECONOMY FOR A SMALL TROPICAL ISLAND TERRITORY THAT LIES SOME 9,000 MILES TO THE WEST OF WHERE WE SIT TODAY.

SINCE 1937, WHEN MY FATHER BROUGHT GUAMANIAN PLEAS FOR U.S. CITIZENSHIP TO FRANKLIN D. ROOSEVELT, THE FEDERAL GOVERNMENT HAS MADE STEADY PROGRESS IN GRANTING GUAM THE POLITICAL FREEDOM THAT SHE DESERVES.

TODAY, WE ASK THAT YOU GRANT THE TERRITORY THE ECONOMIC FREEDOM THAT WILL ENSURE THAT DEMOCRACY IS NEVER THREATENED ON GUAM BY DETERIORATING ECONOMIC CONDITIONS.

BEFORE GETTING INTO BUDGET SPECIFICS, I WOULD LIKE TO CITE JUST TWO EXAMPLES OF THE WAYS IN WHICH AN INDIFFERENT FEDERAL BUREAUCRACY CAN SHACKLE GUAM'S INITIATIVES IN THE PRIVATE SECTOR.

OUR LOCAL FISHERMEN HAVE WORKED HARD OVER THE YEARS AT DEVELOPING AN EXPORT TRADE FOR THEIR CATCH. THE GUAM FISHERMEN'S CO-OP HAD DEVELOPED A SMALL, BUT PRODUCTIVE MARKET FOR FRESH FISH IN HONOLULU.

RECENTLY, WITHOUT WARNING, THE FOOD AND DRUG ADMINISTRATION RULED THAT BECAUSE GUAM IS A FOREIGN PORT, OUR FISH WOULD HAVE TO BE TESTED IN CALIFORNIA FOR HISTIMINE BEFORE IT COULD BE SOLD IN HONOLULU.

THIS IS A PROCESS THAT TAKES UP TO THREE WEEKS, WHICH OBVIOUSLY CANNOT BE TOLERATED BY FRESH FISH. THIS IS THE SAME FEDERAL BUREAUCRACY THAT WILL NOT ALLOW OUR FISHERMEN TO USE LESS EXPENSIVE, FOREIGN-BUILT BOATS BECAUSE, UNDER THE JONES ACT, GUAM IS CONSIDERED A DOMESTIC PORT.

JURISDICTION FOR SUBMERGED LANDS ON GUAM HAS BEEN GRANTED TO THE ARMY CORPS OF ENGINEERS, WHICH MUST APPROVE ALL DREDGING PROJECTS.

ONE OF OUR HOTELS WANTED TO IMPROVE THE SWIMMING AREA BY ITS BEACH WITH A SMALL DREDGING PROJECT. THEY WERE FORCED TO WAIT THREE YEARS FOR THE PERMIT. DURING THOSE THREE YEARS THE HOTEL'S REPUTATION SUFFERRED BECAUSE ITS SWIMMING AREA WAS INADEQUATE.

CONCERNING THE INTERIOR DEPARTMENT'S TERRITORIAL BUDGET FOR GUAM, WE HAVE RECENTLY DISCOVERED THAT THE FIGURE FOR TAX MONEY

RETURNED TO GUAM BY THE U.S. TREASURY UNDER SECTION 30 OF THE GUAM ORGANIC ACT MAY HAVE BEEN UNDERVALUED BY AS MUCH AS 15 PERCENT NOT ONLY FOR THIS YEAR, BUT FOR THE PAST 33 YEARS SINCE THE PASSAGE OF THE ORGANIC ACT IN 1950.

IN ITS COMPUTATION OF FUNDS DUE TO GUAM UNDER THE SECTION 30 PROVISIONS, INTERIOR HAS NEVER FIGURED IN TAXES PAID BY MILITARY AND OTHER FEDERAL RETIREES WHO HAVE CHOSEN TO MAKE GUAM THEIR HOME.

GUAM HAS SUFFERRED DOUBLY FROM THIS OVERSIGHT BECAUSE ANY REFUNDS THAT MAY BE DUE TO SUCH RETIREES WHO FILE THEIR TAXES ON GUAM HAS BEEN PAID OUT OF LOCAL FUNDS, DESPITE THE FACT THAT THEIR WITHHOLDING TAXES HAVE BEEN RETAINED BY THE U.S. TREASURY.

WE ESTIMATE THAT THE LOSS TO GUAM OVER THE YEARS IS WELL IN EXCESS OF $100 MILLION. WE ARE CONFIDENT THAT THIS COMMITTEE WILL WANT TO WORK WITH US TO DEVELOP AN EXACT FIGURE FOR THE LOSS AND CORRECT THIS OVERSIGHT.

THE PROPOSED $4 MILLION IN THIS BUDGET FOR CONSTRUCTION GRANTS TO FUND THE TUMON BAY WATER AND SEWER DEVELOPMENTS ARE

WOEFULLY INADEQUATE TO MEET THE PRESSING NEED FOR INFRASTRUCTURE SUPPORT FOR OUR ISLAND'S RESORT HOTEL AREA.

AS YOU ARE AWARE, GUAM'S LEADING PRIVATE SECTOR INDUSTRY IS TOURISM. RIGHT NOW, THAT INDUSTRY IS OPERATING AT FULL CAPACITY AND IS PREVENTED FROM FURTHER EXPANSION BY A SHORTAGE OF HOTEL ROOMS.

OUR HOTEL INDUSTRY HAS IMMEDIATE PLANS FOR AN ADDITIONAL 1,000 ROOMS. HOWEVER, THOSE PLANS ARE DEPENDENT UPON THE RENOVATION OF THE AREA'S WATER AND SEWER LINES AS OUTLINED IN THE TUMON BAY MASTER PLAN.

UNTIL THAT INFRASTRUCTURE IS IN PLACE, THOSE HOTEL ROOMS WILL NOT BE BUILT AND OUR ISLAND'S MAJOR INDUSTRY WILL STAGNATE. IF THIS IS ALLOWED TO HAPPEN, WE ALSO FACE THE VERY REAL POSSIBILITY THAT AIRLINES WILL CONTINUE TO CUT BACK ON THEIR SERVICE TO GUAM, AS PAN AM HAS ALREADY ANNOUNCED IT WILL DO IN APRIL.

TRANSPORTATION LINKS TO ASIA AND THE U.S. MAINLAND ARE VITAL TO OUR ISLAND. ANY DECREASE IN AIR SERVICE IS EXTREMELY DETRIMENTAL TO THE TERRITORY'S POTENTIAL FOR A SERVICE ECONOMY.

WE ARE THEREFORE ASKING THAT THE TUMON BAY DEVELOPMENT GRANT BE RESTORED TO THE FULL $11.4 MILLION ORIGINALLY REQUESTED SO THAT THE INFRASTRUCTURE WORK THAT IS A NECESSARY PRELUDE TO THOSE 1,000 NEW HOTEL ROOMS CAN BE COMPLETED AS SOON AS POSSIBLE.

CONCERNING ECONOMIC DEVELOPMENT FUND GRANTS, WE WERE SURPRISED AND EXTREMELY DISTRESSED TO FIND THAT THIS ITEM HAD BEEN ZEROED OUT IN THE 1984 BUDGET.

IN ITS PLACE, WE FIND AN UNDEFINED ITEM CALLED THE INSULAR DEVELOPMENT BANK. WE HAVE BEEN TOLD THAT PUBLIC CONSTRUCTION PROJECTS AND PRIVATE SECTOR BUSINESS VENTURES IN ALL THE TERRITORIES WILL HAVE TO COMPETE FOR LOANS FROM THIS BANK.

WE HAVE NOT BEEN TOLD WHERE THIS BANK WILL BE LOCATED OR WHO WILL RUN IT.

WE HAVE NOT BEEN TOLD WHAT GUIDELINES THE BANK WILL USE TO DETERMINE WHO OR WHAT WILL GET ITS MONEY.

WE HAVE NOT BEEN TOLD ANY DETAILS AT ALL.

IT STRIKES US AS EXTREMELY INAPPROPRIATE TO HAVE PRIVATE BUSINESS VENTURES COMPETING FOR CAPITAL WITH PUBLIC CONSTRUCTION

PROJECTS.

FOR EXAMPLE, HOW DOES ONE POSSIBLY MEASURE THE RELATIVE MERIT OF A MUCH-NEEDED SCHOOL BUILDING ADDITION AGAINST A NEW BUSINESS THAT WOULD EMPLOY 20 OR 30 PEOPLE AND GENERATE REVENUE?

WE ARE MIXING APPLES AND ORANGES HERE AND IT JUST WILL NOT WORK.

WE CONSIDER THE INSULAR DEVELOPMENT BANK CONCEPT ILL-CONCEIVED AND UNWORKABLE. WE ASK THAT YOU ELIMINATE IT ENTIRELY AND RESTORE THE ECONOMIC DEVELOPMENT FUND GRANT TO AN ADEQUATE LEVEL.

FOR OVER SEVEN YEARS, OUR GUAM ECONOMIC DEVELOPMENT AUTHORITY HAS RECEIVED AN AVERAGE GRANT OF $500,000. THIS MONEY HAS BEEN LOANED OUT FOR INNOVATIVE PROJECTS THAT DO NOT HAVE ACCESS TO ROUTINE CAPITAL LENDING SOURCES.

THIS IS AS IT SHOULD BE, BECAUSE SUCH INNOVATION AND EXPERIMENTATION IN THE PRIVATE SECTOR IS ESSENTIAL TO THE DEVELOPMENT OF OUR ECONOMY, DEPSITE THE FACT THAT ORDINARY LENDERS SHY AWAY FROM IT.

FOR EXAMPLE, I MENTIONED EARLIER THAT OUR LOCAL FISHERMEN MUST, BY LAW, USE AMERICAN-BUILT VESSELS TO ENGAGE IN COMMERCE ON GUAM. THIS GREATLY INCREASES THEIR OVERHEAD AND HAS LIMITED THE DEVELOPMENT OF OUR FISHING INDUSTRY.

HOWEVER, WITH THE HELP OF THE GUAM ECONOMIC DEVELOPMENT AUTHORITY, A GROUP OF LOCAL FISHERMEN WAS ABLE TO BUILD ITS OWN SHIP. THE SHIP IS OF AN INNOVATIVE, ENERGY-EFFICIENT DESIGN AND, BECAUSE THE MEN DID ALL THE WORK THEMSELVES, WAS BUILT AT A SIGNIFICANT SAVING OVER ONE PURCHASED ON THE COMMERCIAL MARKET.

THAT SHIP IS NOW ENGAGED IN FISHING THROUGHOUT MICRONESIA, AND BECAUSE IT MEETS ALL U.S. SPECIFICATIONS, IT CAN LAND ITS CATCH ON GUAM AND CONTRIBUTE TO OUR ECONOMY.

WITHOUT THE GUAM ECONOMIC DEVELOPMENT AUTHORITY, THAT SHIP WOULD NOT HAVE BEEN BUILT. THIS SUCCESS STORY REMINDS ME OF THE OLD ADDAGE, "GIVE A MAN A FISH AND YOU FEED HIM FOR A DAY; TEACH HIM TO FISH AND YOU FEED HIM FOR A LIFETIME."

WE RESPECTFULLY REQUEST THAT YOU RESTORE ECONOMIC DEVELOPMENT GRANT FUNDING TO AT LEAST $1 MILLION FOR GUAM, WHICH,

TAKING INFLATION INTO ACCOUNT, IS A REASONABLE REFLECTION OF PRIOR YEARS' FUNDING LEVELS.

IN FISCAL YEAR 1980, GUAM RECEIVED A $6.5 MILLION CONSTRUCTION GRANT FOR A NEW PENITENTIARY. OUR ORIGINAL PROPOSAL FOR THE PROJECT WAS FOR $10 MILLION.

DUE TO INFLATIONARY PRESSURES ON THE PROJECT, AND OUR NEED TO PROVIDE A FACILITY THAT WILL ADEQUATELY HOUSE THE PRISON POPULATION WHILE AT THE SAME TIME PROVIDING THE SEGREGATION NECESSARY TO PREVENT THE VIOLENCE THAT OCCURS AMONG PRISONERS HOUSED IN AN OPEN DORMITORY, WE ARE ASKING FOR AN ADDITIONAL $4 MILLION TO COMPLETE THE PROJECT.

THIS IS THE ABSOLUTE MINIMUM AMOUNT NECESSARY TO COMPLETE THE FACILITY. RAMPANT VIOLENCE AND FREQUENT ESCAPES IN 1979 GRAPHICALLY ILLUSTRATED THE NEED FOR A NEW PRISON. OUR ISLAND'S NEED TO PROTECT OUR PEOPLE FROM THE PRISON POPULATION AND TO PROTECT THE PRISONERS FROM EACH OTHER IS NO LESS TODAY.

FINALLY, I WOULD LIKE TO BRING UP A VERY GRAVE CONCERN TO ALL OF OUR PEOPLE, WHICH IS NOT DIRECTLY RELATED TO THE BUDGET, BUT

WHICH DESERVES THE ATTENTION OF THE MEMBERS OF THIS COMMITTEE.

THE ADMINISTRATION'S STATED POLICY OF SELLING OFF SURPLUS PUBLIC LAND TO REDUCE THE NATIONAL DEBT IS THREATENING OUR TERRITORY WITH HAVING ABSOLUTELY NO SAY IN THE DISPOSITION OF MORE THAN 4,000 ACRES OF PRIME LAND ON GUAM.

THIS IS LAND IDENTIFIED BY THE MILITARY AS SURPLUS WITH THE INTENT OF TURNING IT OVER TO THE PEOPLE OF GUAM. HOWEVER, EXECUTIVE ORDER 12348, EXECUTED ON FEBRUARY 25, 1982, MAKES THAT LAND SUBJECT TO SALE TO THE HIGHEST BIDDER BY THE GENERAL SERVICES ADMINISTRATION.

ALTHOUGH 4,000 ACRES IS INSIGNIFICANT IN RELATION TO THE VAST EXPANSE OF THE CONTINENTAL UNITED STATES, YOU MUST UNDERSTAND THAT ON A SMALL ISLAND, LAND IS AN EXTREMELY VALUABLE RESOURCE AND 4,000 ACRES IS NO INSIGNIFICANT AMOUNT.

MUCH OF THIS LAND WAS TAKEN FROM OUR PEOPLE BY FORCE WHEN SPAIN ANNEXED GUAM IN THE 17TH CENTURY AND CONVEYED TO THE UNITED STATES BY THE TREATY OF PARIS IN 1898.

NOW THE PEOPLE OF GUAM ARE FACED WITH THE VERY REAL POSSIBILITY THAT LAND TAKEN FROM THEM BY CONQUEST WILL BE SOLD TO OFF-ISLAND INTERESTS TO PAY OFF THE NATIONAL DEBT.

AS THE DISTINGUISHED BODY CHARGED WITH OVERALL RESPONSIBILITY FOR THE ADMINISTRATION OF THE TERRITORIES, WE IMPLORE YOUR HELP IN PREVENTING THIS LAND FROM FALLING INTO THE HANDS OF PARTIES WHO WILL NOT NECESSARILY HAVE THE BEST INTERESTS OF THE PEOPLE IN MIND.

ONCE AGAIN, I THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS DISTINGUISHED BODY AND ASK YOU TO CONSIDER CAREFULLY OUR REQUESTS TO BE FREED FROM FEDERAL CONSTRAINTS THAT HAMPER GUAM'S ABILITY TO DEVELOP A STRONG PRIVATE SECTOR ECONOMY THAT WILL LIBERATE OUR PEOPLE FROM DEPENDENCE ON GOVERNMENTAL SUBSIDIES.

AS WE SAY ON GUAM, "GOF DANKULO NA SI YU'US MAASE."

THANK YOU VERY MUCH.

Government of Guam

DEFICIT ELIMINATION PLAN

Presented to
The Secretary of the Interior

Pursuant to
U.S. Public Law 96-597

Prepared by the Bureau of Budget and Management Research in coordination with the Department of Administration and the Department of Revenue and Taxation.

FEBRUARY 19, 1983

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EXHIBITS

Exhibit A - Financial Management System

Exhibit B - Bill No. 120

Exhibit C - Bill No. 130

Exhibit D - Bill No. 93

Exhibit E - Executive Order No. 83-007

Introduction

The Deficit Elimination Plan of the Government of Guam presented herein is structured into five (5) major components:

I. Implementation of an Effective Budgeting and Accounting System
II. Revenue and Expenditure Projection Plan
III. Implementation of an Effective Revenue & Taxation System
IV. Proposed Legislations for Addressing Deficit Elimination
V. Other Proposed Actions for Addressing Deficit Elimination

This plan seeks to address budget and accounting system improvements which would hopefully lead to more improved accountability in the appropriation of funds, the monitoring and recording of grant-in-aids and agency funds, and better reconciliation of expenditure data including those of capital funding status. It will also focus on those tasks which still need to be made to improve the tax collection and revenue generating activities and functions.

Another major component identifies a number of legislative proposals and policy directives which would contain budget increases and expenditures and help to slow down the growth of government agencies including autonomous agencies.

Lastly, the plan addresses other areas which would seek a system wide approach in examining cost-effective recommendations and in identifying alternative options for dealing with major cost items within the government system. It should be noted that this document contains many recommendations which have been raised by government officials and the Federal Comptroller's Office.

IMPLEMENTATION OF AN EFFECTIVE BUDGETING AND ACCOUNTING SYSTEM

Action Plan	Timetable
1. A cost effective and efficient budget and accounting system is essential towards insuring that the budget is properly executed and expenditures are recorded and made in consonance with appropriate and acceptable accounting systems. The system developed must have monitoring mechanisms to detect errors and/or management components. Staff must be continually trained and developed to meet the needs of BACIS systems and other phases of the administrative functions needed to carry out the budget and accounting functions. The Government of Guam designed and implemented a fully automated on-line Budget and Accounting Information System (BACIS) which has been in operation since January, 1980. This system is operating efficiently and providing timely and accurate fund status to all management levels and program managers. The system provides audit trail of each and every approved transaction from the public law appropriating the funds to the final payment of a vendor's invoice, on through the return of unused fund balance. The major files include: a. Preparatory Budget - for out-year budget provides for on-line updating of account files. b. Budget Execution - Current years' approved expenditure plan provides for on-line updating of account files. c. Appropriation/Allotment - Current year and past fiscal year account balances. d. Revenue - Provides the current years' estimated revenue, monthly and year-to-date (YTD) realized and gain/shortfall. e. Payroll Interface - Automatically updates accounting files of bi-weekly payroll expenditures.	1. Fully implemented

Action Plan	Timetable
f. Accounts Payable - Provides for on-line updating of payables integrated with a vendor file for automatic processing of checks and updating of accounting records.	
g. Bank Reconciliation - Provides for automatic reconciliation deposits, issued checks, cancelled and cleared check with the bank statements.	
The status of the above files and accounts are updated daily. Fund and balances are updated daily and accessible to authorized personnel for certifying fund availability. Exhibit A provides an overview of the integrated system. This system will be continually upgraded and improved so that a management information component could be added in and improvements could be gradually made to the overall system.	
2. Develop procedures to annually reconcile the Department of Revenue and Taxation (DRT) and Department of Administration (DOA) subsidiary records (maintained by DRT) with the general ledger control accounts (maintained by DOA) for tax receivables.	2. Real Property & Gross Receipts fully implemented in June, 1982. Income tax to be implemented by Sept. 1983.
3. Continue the automation of revenue and tax records.	3. By September 1985
4. Require the Bureau of Budget and Management Research (BBMR), DRT, and DOA to monitor, review and assess financial statements and general ledger accounts balances to detect errors and discrepancies. The same should be done for the revenue areas to collect, analyze and review the above reports and documents. Study and review the information received and and analyze needs of BBMR, DOA and DRT with respect to the financial management system (FMS) and effectuate the necessary coordination among these agencies.	4. On-going
5. Develop and improve the recording of Federal grant-in-aid data reflecting grant awards, revenue and expenditures between DOA, BBMR and appropriate agencies.	5. By September 1983

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Action Plan	Timetable
6. Require DOA to prepare an annual comprehensive consolidated financial statement of all Government of Guam funds.	6. By September 1984
7. Require all autonomous agencies to have the same fiscal year as Government of Guam.	7. Legislation already introduced (refer to Exhibit B)
8. Require all autonomous agencies, boards and commissions to have their funds audited on an annual basis.	8. By September 1983
9. Require DOA to account for fixed assets in a separate group of accounts.	9. Completed March 1982
10. Require DOA to develop separate capital projects funds.	10. By October 1984
11. Train especially selected BBMR staff in the following areas:	11. By September 1983
a) Revenue forecasting methodologies	
b) management and financial information system requirements and components	
c) indepth budget analysis	
d) grants management	
e) preparation of operational and capital budget requests	
f) contract review	
g) how to estimate and develop financial requirements for programs	
h) basic concepts of finance and taxation	
i) programming	
j) problem-solving methodology	
k) cost containment concepts	

Action Plan	Timetable
12. Train selected Department of Administration staff in the following areas:	12. By September 1983
a) data processing	
b) developing financial and management information system	
c) cost accounting techniques	
d) indirect cost allocation methodology	
e) contract funding request	
f) expenditure monitoring and evaluation	
g) analysis of financial statements	

REVENUE AND EXPENDITURE PROJECTION PLAN

The Revenue and Expenditure Projection Plan which follows is a conservative but realistic plan and the specific elements addressed are achievable. This plan would progressively reduce the general fund deficit and result in a balanced general fund budget no later than the beginning of fiscal year 1987.

U.S. Public Law 96-597 authorized the appropriation of funding for a Deficit Elimination Plan for the Territory of Guam which was to commence in FY 1982 and every year thereafter to FY 1986. However, the U.S. Congress did not act on any actual authorization to effectuate the implementation of the Deficit Elimination Plan. As a result, Guam did not implement the said Plan. The Government of Guam, however, on its own initiative did undertake certain austerity measures in an attempt to contain its costs. Much of the cost reduction and/or savings derived from the austerity program have been diffused, however, by the recent actions undertaken by the prior Guam Executive Branch Administration during the latter period of FY 1982 and the beginning of FY 1983, which resulted in a deepening of Guam's deficit status to the tune of $109 million.

Thus, we urge that the Secretary of the Department of Interior, with support from the Office of Territories, assist the Territory in:

1) requesting for Congressional approval to change and/or amend the authorization dates for the implementation of Guam's Deficit Elimination Plan.

2) requesting for approval from Congress for the enactment of necessary appropriations to effectuate the implementation of the Plan.

3) considering the approval of Guam's revised Deficit Elimination Plan, which is more comprehensive in nature and marks a more serious commitment from the Government of Guam in developing a more realistic and enlightened approach towards resolving the deficit. Guam respectfully requests that there be discretionary provisions allowed the Department of Interior to have the flexibility to jointly revise and/or modify as necessary the implementation steps and proposed timetables of this Plan.

GENERAL FUND
PROJECTED REVENUES FOR FIVE (5) YEAR PERIOD (FY'83 - FY'87)
(In Millions of Dollars)

	FISCAL YEARS					
	1983	1984	1985	1986	1987	
INCOME TAXES	81.0	83.1	85.3	87.5	89.8	- 2.6% Increase Annually 1/
GROSS RECEIPTS TAXES	39.0	40.0	41.0	42.0	43.0	- 3% Increase Annually 2/
REAL PROPERTY TAXES	4.7	4.7	4.9	4.9	4.9	- 4% Increase Annually 3/
OTHER TAXES AND LICENSES	9.0	9.1	9.2	9.3	9.4	
FEDERAL GRANTS (SAFA/SCHOOL LUNCH)	5.5	5.5	5.5	5.5	5.5	
SECTION 30	23.0	24.0	24.5	25.0	25.5	
GROSS RECEIPTS TAX		20.0	20.0	20.0	20.0	4/
FEDERAL SUBSIDY (P.L. 96-597)	____	15.0	11.0	7.5	4.0	
TOTALS	$162.2	$201.4	$201.4	$201.7	$202.1	= $968.8

1/ Based on anticipated growth in private sector employment and the recent announcement of the Navy on homeporting additional supply ships on Guam.

2/ Projected growth in business activities.

3/ The anticipated change in real property tax structure currently under review is expected to result in this increase.

4/ Estimated revenues to be derived from taxes after the repeal of P.L. 16-26, Government Code, Section 19543, Subsection .1015.

GENERAL FUND
PROJECTED EXPENDITURES FOR FIVE (5) YEAR PERIOD (FY'83 - FY'87)
(In Millions of Dollars)

	FISCAL YEARS					
	1983	1984	1985	1986	1987	
OPERATING BUDGET	140.0	141.5	144.5	147.5	150.5	- 5% Increase Annually 1/
LOCAL MATCHING ON FEDERAL GRANTS	4.5	4.6	4.7	4.8	4.92	- 2.5% Increase Annually 1/
OTHER CONTINUING PROJECTS	9.5	9.9	10.3	10.75	11.2	- 4% Increase Annually 2/
CAPITAL IMPROVEMENT PROJECTS	1.5	1.75	2.0	2.25	2.5	- $250 K Increase Annually 3/
ACCRUED RETIREMENT BENEFITS - (Unappropriated)	6.5	6.72	6.94	7.16	7.38	- 3% Increase Annually 1/
COLA (One-time Advance Pay)	9.8*					
SALARY INCREMENTS (Annual)	1.95	2.0	2.0	2.0	2.1	- 2.6% Increase Annually Based from the Gross Payroll 4/
TOTALS	$173.75	$166.47	$170.44	$174.46	$178.6	= $863.72

* FY 1984 adjustment would be suspended until deficit position improves.

1/ To allow for inflationary cost growth.

2/ This is a meager increase on special projects for unplanned undertakings during each fiscal year.

3/ Local CIP's only; nominal increase in this area. Any increase in this area must be offset by a corresponding decrease in other appropriations.

4/ Incentive annual salary increase given to employees based on satisfactory performance.

GENERAL FUND
ANNUAL COMPARISON OF PROJECTED REVENUE VS. EXPENDITURES
(In Millions of Dollars)

	FISCAL YEARS					
	1983	1984	1985	1986	1987	TOTAL
REVENUE	162.2	201.4	201.4	201.7	202.1	968.80
EXPENDITURES	173.75	166.47	170.44	174.46	178.6	863.72
EXCESS OF REVENUE OVER EXPENDITURE	(11.55)	34.93	30,96	27.24	23.5	105.08
CARRY FORWARD DEFICIT AS OF 12/31/82 of $109 million progressively reduced over the five year cycle	(120.55)	(85.62)	(54.66)	(27.42)	(3.92)	

Total Balance of Deficit at the end of five year cycle (1987)	3.92
Less deappropriation of Inactive CIP's and other Continuing Projects	(4.00)*
Fund Balance as of 9/30/87	.08

* Refer to Exhibit C

IMPLEMENTATION OF AN EFFECTIVE REVENUE AND TAXATION SYSTEM

Action Plan	Timetable
1. Collection of Receivables An immediate plan has been developed and implemented to address the $20 million of delinquent tax receivables. It is anticipated that approximately $5 million will be collected by June 30, 1983, as a result of this effort.	1. January 4, 1983
2. Quarterly Audits of Withholding Tax Returns (W-1) Withholding taxes account for the largest source of revenue from which the government relies on to meet its month to month obligations. Historically, a large number of employers file withholding tax returns without payment. Since these are trust fund taxes, collection thereof will be given top priority.	2. June 1, 1983
3. Refund Offsets As part of the collection process, all taxes due the government will be offset against refunds due taxpayers. This shall include income, GRT, real property and use taxes.	3. February 15, 1983
4. Reorganization of Real Property Tax Division The present structure of this Division does not provide for tax collection functions. Plans are currently being developed to create a collection system to address the $7.0 million in delinquent taxes and all future assessments.	4. April 1, 1983
5. Tax Audit/Returns Selection Audit criteria has been designed for programming into the computer system which will objectively identify tax returns that warrant an examination. This process will identify those returns that may result in a high tax yield after an audit is completed.	5. February 15, 1983

Action Plan	Timetable
6. Joint Enforcement Programs A detailed plan coordinating the Criminal Investigation Division and Revenue and Compliance Division will be developed to address criminal tax violations. This plan will include a program designed to detect illegal underground activities, such as gambling, drug trafficking and prostitution. It is projected that a substantial amount of taxes will be collected on unreported income derived from these sources.	6. June 1, 1983
7. Strengthen revenue projection capabilities by	7.
a) establishing adequate data base to use as a basis for making realistic projections.	a. October 1, 1983
b) unifying revenue projection efforts with the Guam Legislature.	b. On-going
c) providing for the continued training of appropriate staff.	c. On-going
8. Evaluate deficiencies of the tax system and develop a plan for resolving these deficiencies such as modifying the tax structure.	8. In progress

PROPOSED LEGISLATIONS FOR ADDRESSING DEFICIT ELIMINATION

The following are proposed legislations for addressing the deficit elimination which this administration intends to pursue. As they become law, they would be made a part of the status report on the progress of this endeavor.

1. Enact failure to pay penalties on GRT liabilities. These penalties should be nominal amounts so as not to force marginal income businesses to fold up.

2. Enact legislation to increase business privilege tax interest rates in line with current prime interest rates.

3. Enact legislation to authorize the Government of Guam to auction/sell tax deeded property to satisfy delinquent taxes inuring to each property.

4. Enact legislation and/or ask GEDA to consider the concept of granting tax rebates to take effect at the time the corporation and/or business is at a break even position as determined by an independent auditor. Businesses don't really need the rebate during the first few years of operation because it's busy expending funds for capital improvements, operations, and depreciating some of its costs. Thus, it makes sense to grant them the rebate at the time when they are in a position to really benefit from it. The rebates should be given on an every other year basis. The company should get taxed one year and not the other year and so on to the term of the rebate waiver so that the government can secure needed revenue.

5. Enact legislation to privatize and/or offer franchise for certain government services. An example is the school lunch program. Currently, the government spent over $7.0 million for this program. Government of Guam could get considerable revenue if it were to offer people the opportunity to prepare meals on a school to school basis and offer these meal contracts separately.

6. Enact legislation to tax the heirs on estate property which has not gone through probate court rather than taxing the estate. Government of Guam can get more revenue this way and does not have to wait for the lengthy process of estates going through probate court.

7. Require by law a pre-employment requisite of health insurance coverage for all workers (private and government). This will relieve the government of some of the cost of the medically indigent and bad debt costs for health care.

8. Enact legislation to require agencies to modify and/or ease regulatory and licensing requirements in all areas especially for those wishing to offer new and innovative services and/or open new types of business ventures.

9. Require autonomous agencies to develop and implement a cost containment plan to be modified/expanded/ revised every two years.

10. Require the Bureau of Budget and Management Research to review the budget requests of all autonomous agencies prior to submission to the Legislature.

11. Explore the feasibility of legislation to impose a budget growth level. Give the BBMR the authority to impose a budget growth level policy for all agencies, including autonomous agencies, as well as legislative and judicial branches.

12. Enact legislation requiring that budget for all 3 branches of Government be a balanced budget and/or be at five percent (5%) below the estimated revenue.

13. Enact disciplinary and/or enforcement provisions for GovGuam officials and/or employees who authorize expenditures in excess of appropriations.

14. Repeal and/or amend certain legislations providing for the "free care" of certain diseases and conditions.

15. Repeal and/or amend certain legislations authorizing local participation in federal grant-in-aid programs which are not in harmony with local priorities. Federal participation sometimes exert a costly impact on the local government thus exceeding the merits of the federal grant-in-aid award when a program is no longer deemed vital to resolving island community needs.

16. Enact various appropriate legislation to increase government charges for various services performed by Government of Guam agencies.

17. Amend and/or repeal legislation which have given inordinate benefits affecting retirement and overtime pay to certain employees.

18. Provide for the automatic deappropriation for any capital improvement and related project which are not placed out on bid and/or implemented within 18 months of the enactment of such an appropriation.

19. Enact legislation to require that GEDA tax rebates be given on an every other year basis so that the Government may receive revenue on an every other year basis.

20. The hospital facility and its equipment and medical technology and ancillary services are used by physicians, both private and public. The Government expends a lot of money maintaining this facility, meeting accreditation requirements, insuring appropriate technology, etc., is available for the use of physicians and patients. In return for being granted practicing privileges at the hospital, we could require health maintenance organizations, ambulatory surgicenters and/or the large major clinics to provide free patient care for twenty (20) indigent patients. This should be required by law. The number required to be served by a physician and/or HMO or entity should not be too large so as to cause an inordinate financial burden on them. By doing this, the Government of Guam can be relieved of some of the responsibility of caring solely for the medically indigent and allows the community to share some of this cost and responsibility.

21. Enact legislation and develop qualifying procedures and/or guidelines for providing incentives, such as cash rewards, for agency heads and/or employees to contain costs, reduce overall total budget level, and/or maximize resources.

22. Repeal Public Law 16-26, Government Code Section 19543, Subsection .1015. This restores the Gross Receipts Tax on Liquid Fuel Sales.

23. Require that the supply inventory of GovGuam can only be increased through the enactment of a direct appropriation for such purposes.

24. Require all autonomous agencies and government corporations and funds to reserve three percent (3%) of their self-generated revenues annually.

25. GovGuam General Fund sources will not be used to fund across-the-board, merit, and related salary increases for autonomous agencies.

26. Enact legislation to prohibit expenditures or creation of contractual obligations in excess of amounts available under appropriations. A proposed bill has already been introduced to address this concern (refer to Exhibit D).

OTHER PROPOSED ACTIONS FOR ADDRESSING DEFICIT ELIMINATION

Action Plan	Timetable
1. Section 30 of the Organic Act of Guam, in part, provides for all taxes collected under the Internal Revenue Laws of the U.S. consumed in Guam to revert to the Treasury of Guam. One such Income Tax which is not reverted to Guam is the income tax of military retirees residing on Guam averaging about $4 million annually. The Department of Interior's assistance would be solicited to revert this revenue source which is due to the Treasury of Guam.	1. By 1984
2. Identify and consolidate duplications of government programs and functions to eliminate waste and inefficiency.	2. Ongoing
3. Implement an equipment reconditioning program within Department of Administration to refurbish and reissue old but usable equipment to Government of Guam departments/agencies.	3. Ongoing
4. Require a quarterly financial report from autonomous departments/ agencies receiving general fund subsidies in order to regulate spending activities.	4. Ongoing
5. Offer payment within thirty (30) days after receipt of invoices/ billings to vendors extending trade discounts to the Government of Guam.	5. Ongoing
6. Implement audit of all Government of Guam agencies to ensure operational efficiency and effectiveness. Require agencies to comply with audit recommendations within 12 months of the issuance of the final audit report.	6. Ten (10) audits per year

Action Plan	Timetable
7. Require agencies to develop plans for work which are to be performed during holidays, emergencies, special occasions, etc. which would have otherwise required the payment of overtime and/or compensatory pay to certain employees. Some of these extra work requirements would be addressed by securing part-time personnel. This would not only eliminate the need to provide overtime compensation but would provide for employment opportunities for the jobless and at regular salary rate.	7. By September 1983
8. Explore the feasibility of joining regional and/or group purchasing units for securing certain major supplies for government use such as food, medical supplies, office equipment, etc.	8. Ongoing
9. Encourage the leasing of government owned land, but not the sale of it.	9. Ongoing
10. Charge nominal user fees for recreation facilities.	10. By 1984
11. Provide for strict adherence of Executive Order 83-007 on government-wide austerity measures (refer to Exhibit E).	11. Ongoing

GOVERNMENT OF GUAM
DEPARTMENT OF ADMINISTRATION
FINANCIAL MANAGEMENT SYSTEM

EXHIBIT A

SUBJECT TITLE:

EXHIBIT B
Introduced 1-31-83

SEVENTEENTH GUAM LEGISLATURE
1983 (FIRST) Regular Session

Bill No. 120

Introduced by: J. T. San Agustin

A BILL TO PROVIDE A COMMON FISCAL YEAR FOR ALL AUTONOMOUS AGENCIES AND INSTRUMENTALITIES OF THE GOVERNMENT OF GUAM

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Each autonomous agency, instrumentality and public corporation of the Goverment of Guam shall maintain its fiscal records on the basis of a fiscal year, which shall terminate on September 30th of each calendar year.

Section 2. This act shall become effective with the fiscal year commencing in the 1983 calendar year, which shall terminate on September 30, 1984.

EXHIBIT C

Introduced 2-1-83

SEVENTEENTH GUAM LEGISLATURE
1983 (FIRST) Regular Session.

Bill No. 130
Introduced by: J. T. San Agustin

AN ACT TO CANCEL CERTAIN APPROPRIATIONS.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. All provisions of law containing appropriations for capital projects which were enacted into law thirty-six (36) months prior to the effective date of this Act are hereby repealed; however this Section shall only be applicable to capital projects determined by the Governor no later than March 31, 1983, to be financially not feasible or projects determined to have been completed with idle balances remaining in the project account. All such balances shall revert to the applicable fund source from which the project was appropriated.

Section 2. On the effective date of this Act, any surplus or lapsed funds remaining in the applicable fund source from which the project was appropriated shall be applied to the projects which were not cancelled by Section 1 of this Act and which have not been completely funded.

Section 3. At the conclusion of any fiscal year, any surplus or lapsed funds remaining in the applicable fund source from which the project was appropriated shall be applied to projects which were not cancelled by Section 1 of this Act and which have not been completely funded.

Section 4. The Director of the Bureau of Budget and Management Research shall report to the Legislature no later than April 30,1983: (1) all projects cancelled by Section 1 of this Act citing the provision of law repealed; (2) all projects to be funded in accordance with Section 2 and Section 3 of this Act and funds required; and (3) all expenditures made pursuant to the provisions of this Act.

EXHIBIT D

SEVENTEENTH GUAM LEGISLATURE

Bill No. 93

Introduced by: Carl T.C. Gutierrez

AN ACT TO AMEND THE GOVERNMENT CODE TO PROHIBIT EXPENDITURES OR CREATION OF CONTRACTUAL OBLIGATIONS IN EXCESS OF AMOUNTS AVAILABLE UNDER APPROPRIATIONS.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Section 6118(a) of the Government Code is amended to add thereto the following subsection 5 thereof:

(5) As used in this subsection the term "Appropriation", and the amount available in any appropriation shall be deemed to mean the original amount of an appropriation from which any expenditure, contract or obligation is intended to be paid, less amounts previously paid from such appropriation, less amounts that must be paid from such appropriation for the period of the appropriation to satisfy obligations of the government under contracts actually made and to be satisfied from such appropriation.

EXHIBIT E

GOVERNMENT OF GUAM
OFFICE OF THE GOVERNOR
AGANA, GUAM

EXECUTIVE ORDER NO. 83-007

COST-SAVING PROCEDURES

WHEREAS, the Section 30 advanced allotment of $22 million for FY83 was completely depleted during the first quarter of this Fiscal Year; and

WHEREAS, expenditures for the first quarter have adversely affected the second quarter's allotment balance; and

WHEREAS, estimated cash outlays for the remainder of the fiscal year will exceed projected revenues by almost $17 million; and

WHEREAS, the government is now considering loans and other drastic measures to avoid financial disaster; and

WHEREAS, it is imperative that the government effect substantial reductions in expenditures; and

WHEREAS, the government must immediately implement cost-saving measures to avoid severe financial crisis; and

WHEREAS, all previous executive orders and circulars should be consolidated into one document to assure compliance;

NOW, THEREFORE, I, RICARDO J. BORDALLO, Governor of Guam, by virtue of the authority vested in me by the Organic Act of Guam, do hereby order as follows:

I. Handling of Personnel Actions:

A. Filling of Vacancies: Agencies desiring to fill positions vacant after February 1, 1983, must request exemptions to fill such vacancies. These requests must be reviewed by the Bureau of Budget and Management Research and approved by the Governor. Agencies shall be prohibited from filling any vacancy without adhering to this policy. Any action in violation of this guideline is null and void. Exemptions shall be determined on a

case by case basis and shall be allowed under the following circumstances:

1. The position is critical to the department's operation and failure to fill such a position shall result in the program and/or agency's inability to fulfill major program or departmental objectives and/or tasks which need to be performed.
2. The position is fully funded (100%) by the federal government and approved in the federal grant application and/or by federal officials as verified in writing.
3. The position is considered vital for the provision of essential functions directly related to public health, safety, or welfare.
4. The position is a "key" technical position needed to insure that the government improves revenue generating programs and/or perform urgent program and policy-making functions.
5. The position is required to be filled by local or federal law or by contract.

B. Promotions: All promotions will be reviewed on a case by case basis by the Bureau of Budget and Management Research and approved by the Governor.

II. Travel Requests: All off-island travel shall be frozen unless specifically exempted. Government employees/board members shall not be permitted to attend any conferences which is less than four (4) days in duration. All air travel taken by government employees and board members shall be based on economy, apex or excursion fare. No more than one traveler shall be allowed to attend the same conference. Persons on government travel shall be allowed to claim only the following basic expenses:

1. air fare
2. per diem at rate authorized
3. registration/conference fee

Reimbursement for transportation funding under the miscellaneous category shall not be allowed. Requests for miscellaneous expenses in a travel authorization shall not be approved by the Bureau of Budget and Management Research except for a justifiable purpose. Agencies shall also insure that travel taken is in conformity with Executive Order No. 81-6 issued on August 12, 1981 and the Governor's memorandum 81-80 issued on September 1, 1981.

All travel requests shall be submitted to Bureau of Budget and Management Research for review at least ten (10) working days prior to the commencement date of travel.

The standards for evaluating such travel shall include the following:

1. Travel is essential to the conduct of pending or important government business. (This shall include the accompanying of patients and/or inmates off-island.)
2. The travel may result in the securing of additional revenues to Guam or in cost-savings for government operations.
3. The travel is required as per existing contracts, public law, rules or regulations.
4. The travel is 100% federally funded, is important for the conduct of the agency's affairs, and has been identified in the agency's grant application or approved by the federal government, and the grant award has been received by the agency.
5. Sufficient funding is available and has been released under the agency's allotment.

III. Overtime and Night Differential Pay:

All agencies are requested to minimize the scheduling

of employees which may result in their accrual of overtime or night differential payment. Payment for overtime claim shall be prepared only if they are properly documented and presented within two (2) weeks after the overtime work was performed and after an approved Overtime Plan has been approved by the Bureau of Budget and Management Research.. Overtime payment should be used as a management tool of last resort. Agencies which have budgeted for overtime shall submit for approval an Overtime Plan to the Bureau of Budget and Management Research within sixty (60) days from the issuance of this Order an overtime proposal reflecting the following:

1. names, position titles, pay ranges and salaries of persons who may need to perform overtime work;
2. amount anticipated to be paid for such overtime work;
3. justification and purpose for the overtime;
4. sum budgeted for the overtime work.

Standards for the review of overtime shall be as follows:

1. overtime is authorized for the agency and is fully budgeted.
2. overtime work is essential to the performance of a major agency objective or is of an emergency nature (rash of crime incidence, typhoon, flooding, power outages, accidents, etc.)

IV. Contracts: Notwithstanding the provisions of Executive Order 83-002, all contracts must be reviewed by the Bureau of Budget and Management. Additionally, agencies must insure that all rules, regulations and procedures affecting such contracts have been complied with or are addressed. After review by the Bureau, such contracts shall be submitted to the Attorney General and the Governor for approval. All contracts shall be submitted for review at least thirty

[10] days prior to their effective date.

A. Office Space Contracts: All agencies which have new or expiring office space rental contracts shall submit copies of their bid proposals, or existing contracts, and appropriate documents indicating how their office space needs were determined (a floor and office space plan indicating number of rooms needed, room size and floor space footage needed). All proposed office contracts or renewal requests must be submitted to the Bureau of Budget and Management Research for review and approval by the Governor thirty (30) days prior to the submission of bid proposals or expiration date of existing contracts.

The standards which shall govern the review of such contracts are as follows:

1. Office space requirements proposed are in harmony with the spirit of the austerity program in that:
   a) space requested is minimum space needed by the agency;
   b) agency has selected the lowest responsible bidder; and
   c) adequate funding has been appropriated.

B. Procurement Contracts: All agencies shall submit procurement contracts for review by the Bureau of Budget and Management Research and approved by the Governor.

Such contracts must be accompanied by the following:

1. a copy of the bid specifications; and
2. a copy of the prior year's agreement if a renewal is sought; and
3. evidence that adequate funding has been appropriated (budget and allotment schedule) and

justification for the procurement contracts; and

4. justification showing that procurement through contractual arrangements is more cost-effective than direct purchasing by the agency.

C. Personnel Services Contracts: All employment contracts shall be reviewed by the Bureau of Budget and Management Research and approved by the Governor. Such contracts shall be in compliance with existing law and policies.

Agencies shall submit the following documents in support of such contracts:

1. explanation as to the need for a contract rather than utilization of the normal recruitment procedures; and
2. evidence that funding for the position is budgeted and authorized.

D. Contracts for Services and all Other Contracts: Agencies seeking to enter into other types of contractual arrangements shall be required to submit contract proposals to the Bureau for review along with corresponding documentation indicating the following:

1. Inability to perform services contracted in-house; and
2. Appropriate documentation indicating how cost estimates for the proposal were derived and some form of a cost-benefits assessment.
3. That adequate funding has been released by the Bureau of Budget and Management Research to provide full encumbrance of the contractual obligation.
4. Contractual commitments shall only be for the term of the fiscal year unless exempted by

the Bureau of Budget and Management Research and approved by the Governor.

V. Federal Grant-in-Aid Programs: Those agencies having federal/local match programs which expect large federal budget cuts shall develop immediate contingency plans to modify the scope of their programs and reduce their budgets in areas which shall allow them to salvage the substance of their programs. In reducing budget levels, off-island travel shall be given the lowest priority.

VI. Purchase or Rental of Equipment and the Purchase of Supplies: All agencies shall refrain from purchasing office furniture and other office equipment (desks, chairs, etc.). The purchase or lease of vehicles shall be reviewed by the Bureau of Budget and Management and approved by the Governor.

Any and all purchase orders and/or requisitions for supplies and materials shall be reviewed and approved by the Bureau of Budget and Management Research.

VII. Monitoring Requirements for Autonomous, Semi-Autonomous Agencies and Entities:

All autonomous agencies, semi-autonomous agencies, public corporations, commissions, and boards shall be required to submit quarterly cash flow statements, financial statements, and updated staffing patterns to the Bureau of Budget and Management Research. Agencies shall also submit copies of their official fiscal year 1983 and 1984 budget to the Bureau within thirty (30) days from date of this Order and subsequent operational budget requests by January 31st of each year thereafter.

These entities are hereby directed to develop and submit a cost containment plan to the Bureau of Budget and Management Research within sixty (60) days for approval.

These cost containment plans shall identify specific policies and procedures for minimizing expenditures in the following areas:

1. Personnel Services
2. Travel
3. Equipment
4. Supply
5. Miscellaneous
6. Contractual

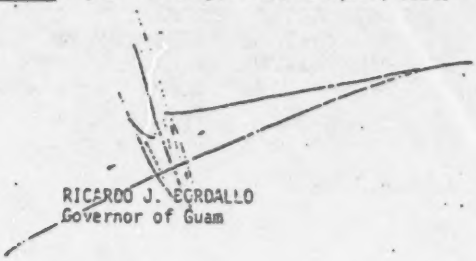
These entities shall be required to adhere to the following guidelines:

1. Filling of existing and new vacancies - see Section One of these Guidelines.
2. Promotions - see Section One, Part B of these Guidelines.
3. Travel policies - see Section Two of these Guidelines.
4. Overtime and night differential pay - see Section Three of these Guidelines.
5. Federal Grant-in-Aid programs - all applications for federal aid programs shall be reviewed by the Bureau of Budget and Management Research.
6. Review of requisitions and purchase orders. All autonomous agencies shall comply with this Executive Order.

VIII. Miscellany: The Director of the Bureau of Budget and Management Research is authorized to establish such other procedures, guidelines, and policies as necessary to carry out the provisions and intent of this Executive Order.

Executive Orders and Circulars on all austerity measures, with the exception of Executive Order 83-02, are hereby superceded.

Promulgated this 7th day of February, 1983, at Agana, Guam.



RICARDO J. BORDALLO
Governor of Guam

COUNTERSIGNED:

EDWARD D. REYES
Lieutenant Governor

Governor BORDALLO. Thank you very much, Mr. Chairman.

Senator WEICKER. The next witness is Richard Montoya, Deputy Assistant Secretary of the Interior for Territorial and International Affairs, and Mr. Secretary, your statement in its entirety will be included in the record. Proceed in any way that you deem fit, and be good enough to introduce those that accompany you to the table.

STATEMENT OF RICHARD T. MONTOYA, DEPUTY ASSISTANT SECRETARY FOR TERRITORIAL AND INTERNATIONAL AFFAIRS, DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY ERNEST C. DOWNS, NANCY BOONE, RICH MILLER, AND STEVE SANDER

Mr. MONTOYA. Thank you, Mr. Chairman. It is indeed a pleasure to appear before you today in support of Senate bill 589.

With me today is Chuck Downs sitting at the table, and then Nancy Boone, our Guam desk officer; Rich Miller who is an economist in our office; and Steve Sander who handles legislative affairs for our office.

We sincerely appreciate the time that you have taken to have us appear before you, and we do support Senate bill 589 introduced by Chairman McClure, and I will be happy to answer any questions that the chairman may have.

[The prepared statement of Mr. Montoya follows:]

STATEMENT OF RICHARD T. MONTOYA, DEPUTY ASSISTANT SECRETARY OF THE INTERIOR FOR TERRITORIAL AND INTERNATIONAL AFFAIRS, BEFORE THE SENATE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY REGARDING S. 589, MARCH 8, 1983

Mr. Chairman and Members of the Subcommittee.

It is a pleasure to appear before you today to discuss S. 589, a bill introduced by Chairman McClure at the request of the Administration to authorize a fiscal year 1984 appropriation of $4,038,000 for construction at Tumon Bay on Guam.

Background - The Tumon Bay Project

Tumon Bay is one of the most beautiful areas on Guam and the location of most of the island's hotels. It has been the central focus of Guam's booming tourist industry since the 1960's, when the Bay was declared excess to United States military needs. While the Bay's development was foreseen, the magnitude of the growth was not. The infrastructure that supports the resort area is now being strained to its capacity and must be modified and expanded if further development is to proceed. The Tumon Bay development project, proposed by the Government of Guam, calls for spending $11.4 million on water and sewer lines, drainage system, and road work in the Tumon Bay area. The project has the highest priority for Guam because the lack of improved public infrastructure at Tumon Bay is the single greatest obstacle to

attracting new tourism development to the island. A number of hotels are eager to expand and new enterprises are hopeful of entering Guam when adequate water and sewer facilities are in place. This project, therefore, would mean increased revenues for the Government of Guam.

Within the past 10 years tourism has become Guam's largest private industry. There are eleven major hotels in the Tumon Bay area, accommodating 85% of Guam's tourists. The number of tourists rose from 73,000 who spent $11 million in 1970 to 321,000 who spent $190 million in 1981. It is estimated that the number of tourists arriving on the island each year increases by about 10% annually.

Water

The present Tumon Bay water system is inadequate to handle the area's demand. The system has (1) undersized distribution lines which cannot supply water at peak demand times, (2) insufficient storage capacity for hotel consumption and fire fighting requirements, (3) malfunctioning pressure regulating equipment, and (4) an insufficient number of fire hydrants. Any additional hotel hook-ups to the present waterline system would result in a serious breakdown of service to all hotels.

Sewer

The sewer system is also incapable of handling the Tumon Bay's waste-water demands. The system is incapable of accommodating heavy or peak flows and the collectors are undersized for the amount of sewage flowing through the system. Lift and pump stations malfunction frequently as a result of heavy sewage in-flow. This presents a serious health hazard when raw sewage is discharged on the Bay's roads and walkways and, at a minimum, causes unpleasant odors. Owners of hotels and large apartments have had to install holding tanks at great expense to deal with the problem in a temporary manner.

Roadwork

The remainder of the Tumon Bay development proposal calls for improving the area's drainage system, widening the existing road system, and providing turning lanes.

Interior Support

Because safety and important economic considerations are directly involved, we propose to fund the high priority water and sewer portion of the Tumon Bay development project. The $4,038,000 proposed by the Department of the Interior for fiscal year 1984 would be a substantial contribution toward overcoming the infrastructure problems of Tumon Bay and putting Guam economic development back on track.

Senator WEICKER. Knowing that the Governor estimates fiscal year 1984 expenditures for the Tumon Bay project to run $6 million, I am curious to know how the Interior Department arrived at a figure of $4 million for the same project.

Mr. MONTOYA. Mr. Chairman, we noted in the comments of the Governor that some of the projects were footnoted that they could be put off until fiscal year 1985. We took the water and sewer project as their top priority, and given the number of jobs that would be created and the type of hotel occupancy that would be increased to enhance the tourism capability of Guam, we felt it was a good investment of the Federal Government's money.

Senator WEICKER. Where does that leave us right now? Are you suggesting that $4 million is going to represent a total Federal contribution or are you holding open the possibility of additional funding in fiscal year 1985?

Mr. MONTOYA. We have allocated $438,000 to look at the next phase of the project which is the road work and the drainage phase of the complete $11.4 million project.

Senator WEICKER. Don't you think in terms of what the emphasis is, whether that generated by the President by virtue of the gasoline tax or that which is being generated by Congress in terms of the jobs bill, that this would be the ideal time to get the whole project funded and underway and not delay any aspect of it?

Mr. MONTOYA. At this time, Mr. Chairman, we don't know how much money the government of Guam will realize from the gas tax. That would certainly be something that would be of interest to us, but as I said, at this point we don't know how much is coming down out of that gasoline tax.

Senator WEICKER. But aside from that, I just used those as examples in support of the attitude of the Government of the United States which is that this is the best possible time to engage in these types of projects. In other words, these jobs are now, jobs now, and I am just talking about an attitude that might certainly apply to Guam as well as it applies to everybody else's thinking as far as 50 States and the other territories. That is No. 1.

No. 2, don't you also agree the single contract is more cost effective than a multiphase project?

Mr. MONTOYA. We feel that by doing it the way that we are proposing, a single contract for the water and sewer, that we will get the best use of the Federal dollar and that it will not increase the costs of the overall $11.4 million contract.

Senator WEICKER. Well, I think what we want to do is, both in terms of the jobs created and in terms of cost effectiveness, I would hope that there would be dialog between the committee and Interior to see whether or not some adjustment in the thinking is required.

At this point I would like to get this bill out as soon as possible, and the documentation will take place as soon as possible, so let's sit down and talk about that because clearly the sooner this gets on the road, the sooner the actual construction begins, the better it is going to be for the economy of Guam, and also for the taxpayers of the United States.

I do hold the belief that one contract would be more cost effective, but be that as it may, it certainly is a matter for discussion, and I think those discussions should be in rapid order.

Mr. MONTOYA. Yes, sir.

Senator WEICKER. Are you familiar with the proposal for the Guam penitentiary and if so, would you comment on it specifically?

Do you agree an additional $4.1 million would complete the facility?

Mr. MONTOYA. Mr. Chairman, we received the Governor's comments on the penitentiary very recently so we aren't up on that at this point. We would like to submit some information on it for the record at a later date.

Senator WEICKER. Again, the answer is I think you have every right to do the oversight on that. Again, it seems to me this type of project falls into the category of what it is the administration is trying to achieve in terms of immediate job creation so it might be a fortuitous time to do it.

Are there any other comments, Mr. Secretary, which you have at this juncture?

Mr. MONTOYA. Not at this point, Senator.

Senator WEICKER. I have questions for the witnesses to be answered for the record, and the hearing record will remain open for 2 weeks for any additional material.

Are there any further comments that either the Governor or the Congressman would care to make at this juncture?

Mr. WON PAT. No further comments, Mr. Chairman.

Senator WEICKER. Thank you all very much. I appreciate your time.

The committee will stand adjourned.

[Whereupon, at 9:50 a.m., the hearing was adjourned.]

APPENDIX

Responses to Additional Committee Questions

QUESTIONS FOR GUAM

1. a) On the Tumon Bay proposal, do you estimate that the total cost of the project will be $11.3 million or could savings be effected if a single contract were let?

   b) The Governor indicates in his letter that reasonable expenditures for Tumon Bay in FY'84 would be $6 million. Does that mean that you will be requesting only $6 million in appropriation of budget authority or that you will request the full $11.3 million but will outlay only $6 million?

   c) Last year the Territorial Highway program was repealed, but the territories were included in the Surface Transportation Assistance Act as a single state for a minimum state share. That action should increase the funding for highway construction in Guam. Do you plan to use those funds as part of this project, and if so, what portion of the project will still need to be funded by an Interior grant?

   d) Will you have information on the highway portion prior to the Appropriations hearing scheduled for May 3?

   e) Are the hotels which the water and sewer lines serve paying a full amount to cover this service as well as provide a sinking fund for repairs and maintenance? Do you plan to review your rate structure to ensure that hotels and other major industries are making a full contribution to the cost of these services?

2. a) On the penitentiary, do you have an explanation for the award of an $8.2 million contract when you only had $6.5 million in authority?

   b) Has the award of the contract been audited or reviewed?

   c) Your justification indicates that a number of facilities have been deleted as well as a very significant reduction in capacity for the main unit. Have you audited the use of the $8.2 million included in the original contract and can all of the deleted or reduced units be built for only $2.4 million?

   d) The original $6.5 million was appropriated in FY'80. What has happened in the interim since your justification states that construction is still underway?

   e) Will you be prepared to review in detail the use of the original $6.5 million, the basis for the award of an $8.2 million contract, the history of this proposal, and what will actually be accomplished with the appropriation of an additional $4.1 million when you appear before the Appropriations Committee? In addition, will you be prepared

to describe what steps you have taken to ensure that future contract awards do not exceed budget authority?

3. Governor, in reviewing the testimony presented before the House on the FY'84 budget, and from other submissions, it appears that the total Guam deficit has risen far beyond what it was in 1980 when the deficit elimination authorizations were enacted. The total Guam deficit now appears to be over $100 million with about $22 million added in the first quarter of FY'83 alone. Have you prepared a deficit elimination plan and could you provide this Committee with a statement on the current deficit level, an explanation for the growth in the deficit, and a list of steps you have taken or propose to take to remedy the situation together with any recommendations you may have for federal assistance.

TERRITORY OF GUAM
OFFICE OF THE GOVERNOR
AGAÑA, GUAM 96910
U.S.A.

RICARDO J. BORDALLO
GOVERNOR

March 15, 1983

Honorable Lowell Weicker
Chairman
Subcommittee on Energy Conservation
and Property
United States Senate
Room H-303, Senate Hart Building
Washington, D.C. 20510

Attention: Jim Bierne

Dear Senator Weicker:

On behalf of the Governor of Guam, I am submitting the following responses to questions posed during the March 8, 1983 hearing of your Subcommittee.

1A) Though the project estimates indicate a total cost of $11.3 million, I am confident that cost savings could be effected if a single contract were let. The savings will result from:

a) one contract administration expense;

b) subletting the various components of the project will be the sole responsibility of the main contractor;

c) the material needed can be bought in sufficient quantity to warrant a substantial discount; and

d) material expenses can be coordinated to save shipping costs.

1B) I apologize for the vagueness of the letter. What we meant to say was that we would request the authorization of the total project cost of $11.3 million. The appropriation of the total amount would be ideal in that it would obviate the need to justify the project again next year. If we can get the $11.3 million appropriated this year, the first $6 million will be used for the sewer, water and drainage system. The balance of $5.3 million will be used for the highway after the pipes are in place.

1C) The Governor asked me to convey his gratitude for your assistance in assuring Guam a share in the Surface Transportation Assistance Act. Though we realize that our new allotment will be greater than in previous years, the Governor would prefer to use those funds for the many other road projects that need to be completed. To adequately fund Guam's road construction and repair needs, an appropriation 10 times larger than our allocation would be necessary.

In summary, the Governor would prefer an Interior Department grant to underwrite this project.

1D) Guam's Director of Bureau of Budget and Management will present information pertaining to Guam's highway needs when she appears before the Appropriations Committee on May 3, 1983.

1E) At the present time, the hotels are not paying any special assessments. As was evident by the Governor's approval of a 24% power rate increase, the Governor is willing to review and insure that all service recipients make a full contribution to the cost of services rendered by governmental agencies.

2A) Neither the Governor nor I can explain the action of his predecessor. We are aware of the fact that there are laws which prohibit the execution of a contract for more than the amount appropriated.

2B) The Governor's Office auditor has been tasked with the responsibility of reviewing this situation.

2C) An audit is underway. We will therefore reserve responding until the audit is completed.

2D) Site preparation which was fairly extensive has been completed. Construction of certain buildings have either been completed or in the process of being completed. A more detailed response will be submitted after the audit is prepared.

2E) We will be prepared for all questions when we appear before the Appropriations Committee.

3) A Deficit Elimination Plan was completed and was presented to the Committee and to the Secretary of Interior.

The Governor will be forwarding a detailed report on the austerity program that is being phased in on Guam.

Honorable Lowell Weicker
Chairman
Subcommittee on Energy Conservation
and Property

15 March 1983
Page 3.

The Governor will be requesting federal assistance in the form of:

a) appropriation for the Deficit Elimination Plan; and

b) GAO, FBI and Department of Justice assistance to thoroughly investigate and prosecute, if necessary.

If these answers are insufficient, please contact my office and I will call Guam for additional information. My office numbers are 624-5424 or 5425.

Respectfully submitted,

BENJAMIN J.F. CRUZ
Director
Washington Liaison Office

BJC:lu

QUESTIONS FOR INTERIOR

1. What will be constructed with the $4 million you have requested?

2. How do you arrive at the figure of $4,038,000?

3. Does the $4 million figure represent the total federal contribution to this project or only the amount which you propose for FY'84 leaving open the possibility of future funding in FY'85 or beyond?

4. Are you familiar with the proposal for the Guam Penitentiary and if so would you comment on it, the award of a contract in excess of appropriated funds, and whether you agree that an additional $4.1 million will complete the facility or would you prefer to respond for the record?

5. What efforts do you contemplate to work with the Governor to define the source of the Guam deficit, analyze the causes, prevent similar occurrences, and restore Guam operations to a balanced condition and eliminate the current deficit?

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAR 14 1983

The Honorable Lowell P. Weicker, Jr.
Chairman, Subcommittee on Energy
Conservation and Supply
Committee on Energy and Natural
Resources
United States Senate
Washington, D.C. 20510

Dear Senator Weicker:

Enclosed are answers to the written questions given us after the hearings held on S. 589 by the Subcommittee on Energy Conservation and Suppply on March 8, 1983.

Sincerely,

Pedro A. Sanjuan
Assistant Secretary
Territorial and International Affairs

Enclosure

1.

Question: What will be constructed with the $4 million you have requested?

Answer: The Tumon Bay Development project calls for improvements to (1) the water distribution system, (2) the sewer system, (3) the storm drainage system, and (4) the road system. Phase I of the project would include the water and sewer improvements, while storm drainage and road improvements would be included in phase II. The requested authorization of $4,038,000 would be used to fund $3.6 million in phase I water and sewer improvements, plus a contribution of $438,000 to phase II of the project.

2.

Question: How do you arrive at the figure of $4,038,000?

Answer: The Tumon Bay Development project is expected to cost a total of $11.4 million. In its initial fiscal year 1984 request to the Department of the Interior for water and sewer work on Guam the Office of Territorial and International Affairs requested $3.6 million for the first phase of the project. We do not know how much will be available to Guam from other sources to fund roadwork and drainage improvements in later years. An additional allowance of $438,000 was made available within the total ceiling for the Office of Territorial and International Affairs and was added to the Guam project to begin work on the second phase, for which a sizeable local match will likely be required.

3.

Question: Does the $4 million figure represent the total federal contribution to this project or only the amount which you propose for FY'84 leaving open the possibility of future funding in FY'85 or beyond?

Answer: The $4,038,000 authorization we are seeking is the total Federal contribution for fiscal year 1984. Our program for fiscal year 1985 has not yet been developed.

4.

Question: Are you familiar with the proposal for the Guam Penitentiary and if so, would you comment on it, the award of a contract in excess of appropriated funds, and whether you agree that an additional $4.1 million

will complete the facility or would you prefer to respond for the record?

Answer: In 1979, the need for a new penitentiary became critical due to prisoner revolts and court release of prisoners because of overcrowding. Guam requested $10.3 million for a new facility. At that time costs were projected as follows:

Design	$515,000
Construction	8,976,325
Equipment	450,000
Fees & Administration	380,000
TOTAL	$10,321,325

Funds in the amount of $6.5 million were appropriated for fiscal year 1980. It was assumed that there would be some reduction in cost and that Guam would shoulder a share of the project. Guam has not approached the Department of the Interior for reprogramming of funds or a request for additional funds.

The Government of Guam is a governmental entity, much like a state. As such, it has the capacity, within certain guidelines, to contract. The United States Government is not responsible for costs in excess of the $6.5 million already appropriated.

The Office of Territorial and International Affairs, of course, will consider a request for funding for fiscal year 1985 if it is submitted by the Governor of Guam.

5.

Question: What efforts do you contemplate to work with the Governor to define the source of the Guam deficit, analyze the causes, prevent similar occurrences, and restore Guam operations to a balanced condition and eliminate the current deficit?

Answer: Public Laws 96-597 and 97-357 provide for Federal assistance in financing the general fund deficits of Guam and the Virgin Islands. To date, no funding has been requested or appropriated for this purpose.

The Governor of Guam has just submitted to us a new deficit elimination plan. It identifies the Guam general fund deficit as $109 million as of December 31, 1982.

The plan appears to have some positive approaches to the elimination of the deficit through actions by the Government of Guam. We are cooperating with Guam to help eliminate deficits by providing technical assistance for improving governmental procedures.

We intend to submit the plan, along with our comments, to the Congress as is required by Public Law 97-357. There is no request in the fiscal year 1984 budget request for deficit elimination funding. This reflects our belief that deficit elimination is primarily a territorial governmental responsibilty. But it also reflects the fact that the Government of Guam has not placed the deficit elimination funding at the top of its list of priorities in its budget submissions for fiscal years 1982 through 1984.

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ERRATA

Guam Authorization

The Senate Committee on Energy and Natural Resources hearing regarding Guam Authorization was inadvertantly assigned an incorrect publication number.

The correct designation is S.Hrg. 98–43.

S311-37